

2Q2024 PERFORMANCE HIGHLIGHTS

August 2024



Another quarter of solid performance

Accelerated credit growth amidst more optimistic macro-economy outlook, cost continued to be monitored rigorously

KEY HIGHLIGHTS

Financial indicators

	(VND bn)	
6M PBT	20,835	+1.6% yoy
2 nd Q PBT	10,116	-5.6% qoq +9.0% yoy
6M ROAE	19.3%	
6M CIR	29.9%	
NPL	1.2%	
Credit cost	0.5%	
LLCR	212%	
CAR	12.0%	

Scale indicators

	(VND tn)	(ytd)
Loans	1,370	+7.8%
Deposits	1,375	-1.5%

MACRO AND INDUSTRY RECAP

Vietnam economy recorded second strongest 2ndQ growth in the last 5 years, 6M24 GDP posted 6.4% growth yoy with Industry and Construction bounced back while Services was still resilient. Macro indicators showed production and trade activities started to recover while FDI was still robust and domestic consumption kept its momentum. Banking sector, on the other hand, still faced many challenges, with pressure on FX rate due to global high USD interest rates and fluctuating gold price, as well as weak capital absorption of the economy. End of 6M2024, sector's credit growth was still low at around 6% ytd while NPL on the rising trend across banks.

NET INTEREST INCOME

1. Loans

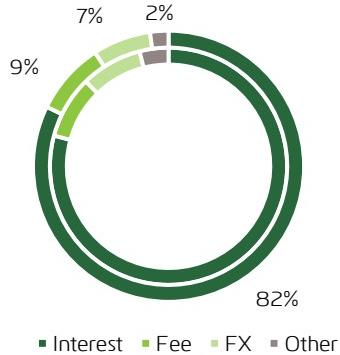
Loans accelerated at quarter-end, recording a ~7.8% increase ytd, higher than sector average and in line with whole year guidance. Wholesale portfolio was the main driver, growing at ~9.2% ytd and extending its contribution (~49.4%) over total loan book, driving mostly by robust growth in FDI and disbursement of several in-

Loans breakdown by customer



Corporate - Growth by customer group



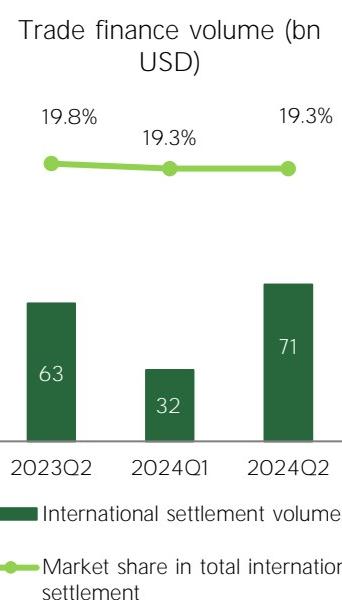
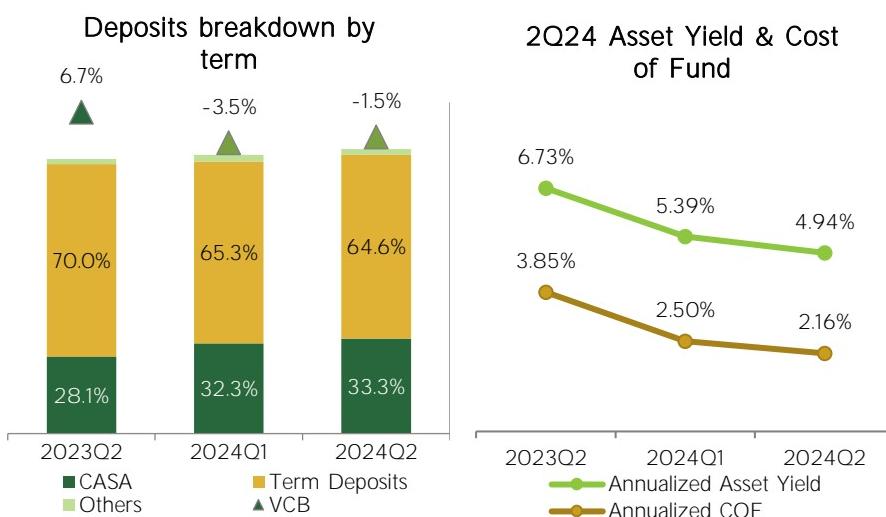


Operating Income Structure
(Outside: 6M2024; Inside: 2023)

the-pipeline projects in Large corp segments. Retail loans started to recover after stagnant first quarter, growing by 6.2% ytd (vs ~1% decrease in 1Q2024).

2. Deposits

On funding side, Deposits were well managed with a 1.5% decrease as the bank maintained comfortable liquidity. Interestingly, Retail deposits continued to improve (up by ~6% ytd) although the bank offered the lowest deposit rates in the market, affirming the bank's superior deposit position. With strong credit growth at quarter-end, 2ndQ24 pure LDR advanced to 99.6%, while stipulated LDR under Circular 22 remained under 85% threshold. Our CASA ticked up to 33.3% end of 2ndQ24, further driving down Cost of fund. Yet such impact was offset by lower Asset yields due to (i) full reflection of low interest rates level on our loan book and (ii) more contribution of short-term loans in overall portfolio. Those factors resulted in second quarter's annualized NIM of 3.05% (-0.11%pt vs 1Q24).



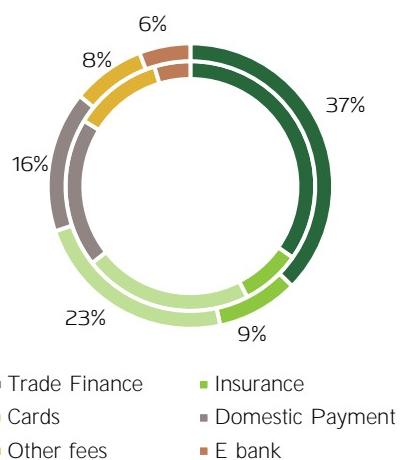
NON INTEREST INCOME

1. Fee income

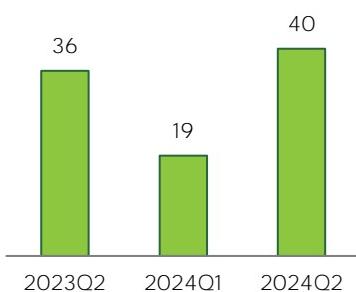
- **International Settlement & Trade Finance (TF):** With strong recovery in nation's trade activities, our TF activity also recorded robust growth in both sales and revenue. Specifically, 6M24 TF turnover recorded 13.8% yoy growth, VCB maintained market share of over 19%. TF income grew by 15.3% yoy and 35.3% qoq, contributing ~40% to total Fee Income and still the main component of our Fee income.
- **Card Service:** The second largest fee income source was Card service with 13% yoy and 31% qoq growth thanks to resilient Card volume growth over the first two quarters of the year.

Fee Income Breakdown

(Outside: 6M2024; Inside: 2023)



FX transaction volume (bn USD)



- **Bancassurance:** Insurance service experienced another tough quarter when whole market recorded a ~42% decline yoy. Following the same trend yet to a less extend, VCB managed to increase FYP market share from ~10% to ~11% in 2ndQ despite market difficulties. Bancas income was unsurprisingly still modest and may need more time to recover.

- **Among other fees,** it was worth highlighting the continuous recovery in Digital banking services where our efforts in cost cutting and further penetration among corporate clients resulted in gains from E-bank from 1stQ24 till now after consecutive losses in 2022 and 2023 due to our zero-fee campaign.

2. Foreign Exchange Gain

Forex income accounted for roughly 7% of 2Q24 total operating income. Due to rising competition and high FX rate in second quarter (close to ceiling rate), we witnessed margin compression for FX business and decrease in FX income over same period last year as well as versus 1stQ (-22% and -3% respectively). However, VCB maintained leading position in terms of FX turnover (~17%), well above the runner up (~10%).

3. Other Noll

- **Bad debt collection:** With gradual recovery in real estate market and our quality collateral portfolio, we were able to boost collection from written off debt in the first half of the year. For 6MQ24, accumulated bad debt collection amounted to around VND1.4 trillion, corresponding to a 75% increase vs same period last year.

- **One-off expenses:** A recent guidance of General Department of Taxation requested credit institutions to declare and pay VAT arrears since 2011 for L/C service (which was exempt from VAT according to prior guidance). As such, we recorded a one-off amount under Other expenses in Q2.24 to reflect such change.

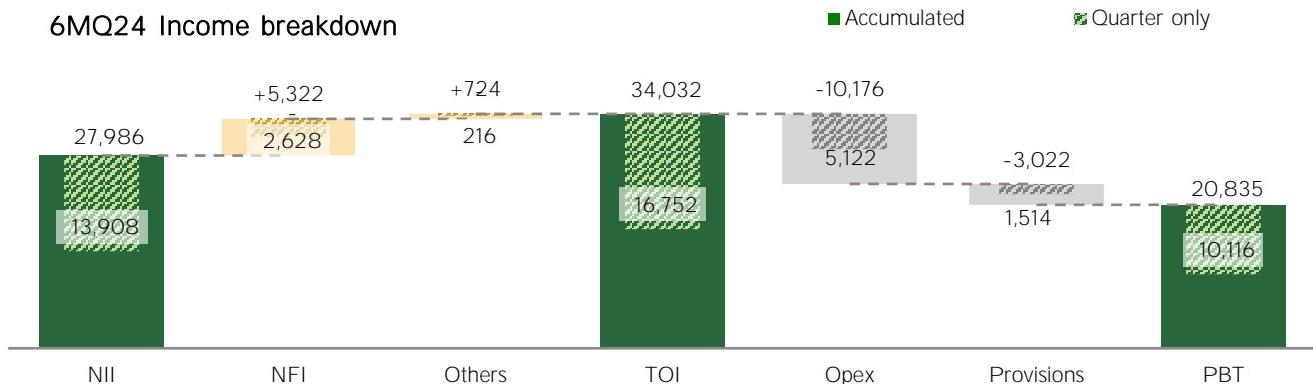
COST

1. Opex

Against a still challenging business landscape in 2ndQ24, the bank maintained rigorous cost management. As a result, our OPEX only ticked up by more than 1% compared to 1stQ and recorded a 9.4% decrease vs same period last year. CIR was well controlled at ~30% level.

2. Credit cost

- **NPL & coverage:** VCB' asset quality remained the best-in-class. NPL still well controlled at 1.2%, with a slightly decrease in both retail and corporate segments in compare with last quarter. LLCR stayed strong at 212%, highest in the banking sector.



- **Provision expenses & credit cost:** Provision expenses amounted to VND 1.5 trillion, quite flat (+0.4% qoq) in compare with 1Q2024 with credit cost stayed at 0.5% in 2Q2024, in line with the management strategy to reduce provision in 2024.

RESULTS DISCUSSION



To sum up, Q2.24 NII was still flat yoy and down 1.2% qoq due to slow credit demand recovery and margin compression, reflecting another challenging quarter for the bank. Noll posted a 17.6% decrease yoy and 11.2% down qoq as our main Noll streams still impacted by weak macro and trade backdrop in Q2.24. However, we started to see signs of recovery in Trade Finance, Card services, Digital banking & Bad debt collection while Bancas and Forex business were quite resilient. Also, excluding the one-off expense discussed above, Non interest income in Q2 was actually flat qoq and down by only 7% yoy. In the meantime, we continued to strictly control our cost with operating expenses and provisions on the declining trend.

Looking ahead, we expect accelerated recovery in credit thanks to the disbursement of big chunk credit from national major projects as well as robust production and trade activities amid more optimistic macro outlook. Another supporting factor may come from revived retail demand given resilient consumption and better property market prospects. On funding side, we focus on maintaining CASA and proactively manage deposits to facilitate credit growth. On top of that, we put efforts to enhance customer services and leverage on our advantages in payment services, especially digital products to boost sales and fee income.

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Although ending 2Q24 with moderate growth due to our prudent assessment of market conditions and low risk appetite, our core business still showed resilient growth in sales volumes and customers development. This will be the firm base for future acceleration once we have more confidence in macro-economy outlook and market opportunities.

KEY RATIOS

Quality	2023Q1	2023Q2	2023Q3	2023	2024Q1	2024Q2
Loans to deposits	91.6%	88.8%	88.2%	91.0%	94.0%	99.6%
Loan loss reserve coverage (Provision/NPL)	320.8%	385.8%	270.1%	230.3%	199.8%	212.1%
NPL ratio	0.85%	0.83%	1.21%	0.98%	1.22%	1.20%
CAR	10.72%	11.22%	11.59%	11.59%	11.91%	12.02%
Credit Cost	0.70%	0.78%	0.69%	0.38%	0.48%	0.46%
Profitability (Quarter only)	2023Q1	2023Q2	2023Q3	2023	2024Q1	2024Q2
Annualized Net interest margin	3.18%	3.20%	2.96%	2.90%	3.16%	3.05%
Non-interest income/Operating Income	23.30%	19.75%	20.16%	19.79%	18.53%	16.98%
Annualized ROAA	1.96%	1.69%	1.64%	2.05%	1.90%	1.73%
Annualized ROAE	25.66%	20.66%	19.73%	24.91%	20.28%	18.75%
Cost-to-income ratio	28.48%	32.38%	33.17%	36.04%	29.25%	30.57%

(*) CAR has been calculated in accordance with Circular 41 (Basel 2 standards) since 1 Jan 2019

Abbreviation

CAR	Capital Adequacy Ratio	Noll	Non Interest Income
CASA	Current Account, Saving Account	NPL	Non performing loans
CIR	Cost to income ratio	Opex	Operating Expenses
COF	Cost of fund	PBT	Profit before taxes
FDI	Foreign Direct investment	qoy	quarter over quarter
FX	Foreign Exchange	ROAA	Average Return on Assets
FYP	First year premium	ROAE	Average Return on Equity
L/C	Letter of Credit	SME	Small and Medium Enterprise
LDR	Loans to Deposit Ratio	TF	Trade Finance
LLCR	Loans loss coverage ratio	TOI	Total Operating Income
NFI	Net Fee income	VAT	Value added tax
NII	Net interest income	yoy	year over year
NIM	Net interest margin	ytd	year to date

Balance Sheet (USD million)	2019	2020	2021	2022	2023	2023Q2	2024Q2
Cash and cash equivalents	595	657	791	777	608	680	534
Balances with SBV	1,497	1,442	988	3,920	2,435	2,377	1,473
Current accounts, deposits and placements with banks	10,767	11,658	9,913	13,284	14,098	12,062	13,050
Investments in securities	7,312	6,913	7,625	8,379	6,213	6,674	6,998
Loans to customers	31,709	36,536	42,175	48,497	53,229	49,601	56,457
Provision for Loans to Customers	(450)	(837)	(1,130)	(1,049)	(1,202)	(1,590)	(1,438)
Equity investment	106	97	103	93	93	95	86
Net fixed assets	290	372	379	338	323	320	318
Other assets	945	862	1,271	2,583	1,284	1,559	1,073
Total Assets	52,772	57,700	62,115	76,821	77,081	71,777	78,551
Current accounts of banks and payables to SBV	3,986	1,791	416	2,851	70	96	2,761
Borrowings from SBV and term deposits from banks	3,177	4,507	4,818	9,848	8,960	6,766	9,012
Customers deposits	40,071	44,904	49,839	52,665	58,481	55,882	56,665
Derivatives and other financial liabilities	-	2	1	0	-	-	-
Valuable papers issued	923	924	763	1,073	834	687	1,109
Other liabilities	1,122	1,477	1,486	4,639	1,817	1,944	1,514
Total Liabilities	49,281	53,606	57,322	71,076	70,167	65,375	71,061
Charter capital	1,601	1,614	1,628	2,004	2,342	1,993	2,304
Surplus & Other capital	230	232	234	246	243	244	239
Reserve funds	526	649	798	955	1,150	950	1,132
Differences in FX and Asset revaluation	6	0	(0)	(37)	(41)	(37)	(39)
Retained earnings	1,125	1,595	2,129	2,572	3,216	3,247	3,850
Total Shareholders' Equity	3,487	4,090	4,789	5,741	6,910	6,398	7,485
Minority Interest	4	4	4	4	4	4	4

Income Statement (USD million)	2019	2020	2021	2022	2023	2023Q2	2024Q2
Interest income	2,915	3,011	3,100	3,732	4,530	2,380	1,932
Interest expenses	(1,427)	(1,432)	(1,244)	(1,477)	(2,284)	(1,191)	(779)
Net interest income	1,488	1,579	1,856	2,255	2,247	1,189	1,154
Fee & Commission income	388	461	495	526	529	258	268
Fee & Commission expenses	(202)	(173)	(170)	(237)	(287)	(128)	(147)
Net Fee & Commission income	185	287	325	290	242	130	121
Foreign exchange gain (Net)	145	170	192	244	237	134	97
Net Gain / (Loss) on Securities	7	0	2	(1)	5	4	1
Investment income (loss)	11	20	6	9	11	3	0
Net Other income	132	78	105	87	95	56	30
Non-interest income	480	556	630	628	591	327	249
Total Operating income	1,969	2,135	2,486	2,884	2,838	1,516	1,403
Total Operating expenses	(681)	(698)	(776)	(900)	(918)	(460)	(419)
Operating profit (pre-provision)	1,288	1,437	1,710	1,983	1,919	1,055	983
Provisions (net of reversals)	(292)	(434)	(504)	(401)	(191)	(192)	(125)
Profit before taxes	995	1,003	1,207	1,583	1,728	863	859
Income tax expense	(198)	(199)	(240)	(315)	(343)	(172)	(170)
Net profit /loss (including Minority Interest)	797	803	966	1,266	1,384	691	688

Converted from VND using SBV Central FX rate on the quarter ended day

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